

## PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

## CLERK'S OFFICE

NOTICE OF FILING

## DOCKET NO. 2017-370-E

**Joint Application and Petition of South Carolina Electric & Gas Company and Dominion Energy, Inc. for Review and Approval of a Proposed Business Combination between SCANA Corporation and Dominion Energy, Inc., as May Be Required, and for a Prudency Determination Regarding the Abandonment of the V.C. Summer Units 2 & 3 Project and Associated Customer Benefits and Cost Recovery Plans**

On January 12, 2018, South Carolina Electric & Gas Company ("SCE&G" or the "Company") and Dominion Energy, Inc. ("Dominion Energy") (together, the "Petitioners") filed a Joint Application and Petition ("Joint Petition") with the Public Service Commission of South Carolina (the "Commission"), pursuant to S.C. Code Ann. §§ 58-27-1300, 58-27-870(F), 58-33-270(E) and 58-33-280(K) (2015), seeking approval of a proposed transaction whereby SCE&G's parent, SCANA Corporation ("SCANA"), will become a wholly-owned subsidiary of Dominion Energy (the "Merger"). The Petitioners further request through this Joint Petition Commission approval of a Customer Benefits Plan ("Customer Benefits Plan") and a cost recovery plan for new nuclear development costs associated with the V.C. Summer Units 2 & 3 Project (the "NND Project") to accompany the Merger.

Dominion Energy is a utility headquartered in Richmond, Virginia. Dominion Energy serves over 6 million utility customers with operations in 18 states.

Under the Customer Benefits Plan presented in the Joint Petition:

- SCE&G electric customers will receive \$1.3 billion in immediate, one-time rate credits after Merger closing. An average residential customer could receive a check for approximately \$1,000.
- SCE&G customers would receive an immediate reduction in electric bills of approximately 5%, including refunds of previously collected rates (3.5%) and a tax savings rider (initially 1.5%). Dominion Energy will fund a \$575 million pool which is anticipated to allow the 3.5% rate refund reduction to remain in place for eight years. Nuclear project costs would be separated from other utility costs in rates and collected through a separate cost recovery rider.
- The Merger will allow SCE&G to shorten the recovery period for nuclear costs from 50 to 20 years.
- Upon Merger closing, SCE&G will write off \$1.7 billion in construction costs and other assets to ensure that they will never be collected from customers.
- SCE&G will provide customers with 540 MW of combined cycle natural gas generation to replace approximately 44% of the anticipated nuclear capacity. SCE&G will write off the \$180 million purchase price.
- If the Merger closes, then SCE&G will freeze electric base rates (after the immediate rate reductions) until at least January 1, 2021.
- Dominion intends to maintain SCE&G's corporate headquarters in Cayce, South Carolina.

These benefits are dependent on the closing of the Merger and the adoption of the Customer Benefits Plan contained in the Joint Petition.

Under the Customer Benefits Plan, the Petitioners request that the Commission enter an order:

- Recognizing that the new nuclear project costs remaining after write downs (approximately \$3.3 billion) are recoverable in rates;
- Establishing amortization and capital costs associated with recovery;
- Ruling that the decision to abandon the new nuclear development project was reasonable and prudent; and
- Ruling that the decision to sell SCANA's rights in the settlement of claims against Toshiba Corporation to Citibank N.A. for \$1.016 billion was reasonable to reduce collection risks and accelerate the collection of the proceeds.

The request also seeks accounting directives and a rate provision to implement this proposal.

The Petitioners seek approval of the Customer Benefits Plan under the provisions of S.C. Code Ann. § 58-27-870(F), which allows the Commission to approve a rate schedule filed by a utility setting forth a decrease in rates without consideration of the overall rate structure, and under S.C. Code Ann. § 58-33-280(K), which authorizes recovery of the capital costs of projects approved under the terms of the Base Load Review Act ("BLRA") after a project is abandoned so long as the abandonment decision is prudent.

Under the Customer Benefits Plan to apply if the Merger closes, all new nuclear development costs that have not been reviewed and approved for inclusion in rates in previous revised rates orders will be written off (approximately \$1.2 billion).

The Joint Petition also contains two alternative requests which SCE&G will pursue independently as disfavored alternatives if the Merger does not close. Under the first alternative request, SCE&G asks that the Commission adopt a rate plan that can be funded by SCE&G and SCANA alone. This stand-alone plan does not provide any payments to customers, any rate moratorium or any fund to reduce customer bills by providing rate refunds. It involves total write offs of investment of \$810 million. It requires NND Project costs to be recovered from customers over 50 years. It does, however, include a 3.5% rate reduction and purchase of 540 MW of natural gas generation at no cost to customers.

As a second alternative, if the Merger does not close and the Commission does not approve the first alternative, SCE&G will seek the recovery of all costs and investments associated with the NND Project allowable by law but without any mitigation provisions and without seeking any present rate increase. This second alternative would not include any bill credits, rate moratorium, fund to mitigate future rate increases, write downs of project capital, or rate reductions.

Both alternative plans contain requests for prudence determinations and accounting directives to implement their terms and are based on the same statutory authority as the cost recovery plan supported by the combination with Dominion Energy.

SCE&G asserts that the alternative plans are disfavored and economically inferior for customers (though SCE&G maintains that such plans are nonetheless lawful, fair and reasonable) compared to the plan supported by the combination with Dominion Energy. SCE&G supports the alternative plans only in the event of disapproval of the Merger.

Customer bills will not increase in this proceeding under any proposal.

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A copy of the Companies' Joint Application and Petition can be found on the Commission's website at [www.psc.sc.gov](http://www.psc.sc.gov) under Docket No. 2017-370-E. Additionally, a copy of the Joint Application and Petition is available from the office of K. Chad Burgess, Director and Deputy General Counsel, SCANA Corporation, 220 Operation Way, Mail Code C222, Cayce, South Carolina 29033.

Any person who wishes to participate in this matter as a party of record should file a Petition to Intervene in accordance with the Commission's Rules of Practice and Procedure on or before **March 9, 2018**, by filing the Petition to Intervene with the Commission, by providing a copy to the Office of Regulatory Staff and by providing a copy to all parties of record. For the receipt of future Commission correspondence, please include an email address in the Petition to Intervene. ***Please refer to Docket No. 2017-370-E in the Petition to Intervene and mail a copy to all other parties in this docket.*** Any person who seeks to intervene and who wishes to testify and present evidence at the hearing should notify, in writing, the Commission; the Office of Regulatory Staff at 1401 Main Street, Suite 900, Columbia, South Carolina 29201; and all parties of record, on or before **March 9, 2018**. ***Please refer to Docket No. 2017-370-E*** in your correspondence.

**PLEASE TAKE NOTICE** that a hearing, pursuant to S.C. Code Ann. Regs. 103-817 and Order No. 2018-80, on the above matter shall be scheduled. The time and date of such hearing will be distributed to the interested parties at a later time, and the time and date of the hearing will be available on the Commission's website ([www.psc.sc.gov](http://www.psc.sc.gov)) and the Commission's Docket Management System.

For the most recent information regarding this docket, please refer to [www.psc.sc.gov](http://www.psc.sc.gov) and ***Docket No. 2017-370-E***.

**PLEASE TAKE NOTICE** that any person who wishes to have his or her comments considered as part of the official record of this proceeding **MUST** present such comments in person to the Commission during the hearing.

Persons seeking information about the Commission's procedures should contact the Commission at (803) 896-5100 or visit its website at [www.psc.sc.gov](http://www.psc.sc.gov).

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